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August 7, 2020

Mr. Henry Lipman, FACHE
Medicaid Director
New Hampshire Department of Health and Human Services
129 Pleasant Street
Concord, NH 03301

[Sent via email: henry.lipman@dhhs.nh.gov]

Re: APPENDIX A - Budget Neutrality Limit Analysis – SUD IMD 1115 Demonstration

Dear Henry:

At your request, we are working with the New Hampshire Department of Health and Human Services (DHHS) to review the budget neutrality limits in New Hampshire's Substance Use Disorder Treatment and Recovery Access (SUD TRA) 1115 Demonstration. Based on prior discussions with DHHS and CMS, this letter provides the detail and calculations supporting revised budget neutrality limits effective July 1, 2020. In conversations with CMS, we understand retro-active changes to the budget neutrality limits are not allowed.

This letter includes preliminary estimates of the additional modifications to the original budget neutrality methodology. These modifications are consistent with previous conversations with CMS and reflect adjustments for items that were not originally anticipated during the budget neutrality development and later became known during monitoring report preparation. We are happy to provide additional details to CMS to help them understand our proposed adjustments and methodology.

Please note, we understand there are ongoing reporting issues related to this demonstration. We relied on the enrollment and cost information provided by DHHS for this review rather than the populated demonstration monitoring document. It is our understanding that the provided data does include all IMD providers and their clients.

Table 1 below shows the projected five year demonstration results using the current limits, as well as the proposed limits, which include adjustments for the following items:

- Updated rate cell enrollment distribution within each MEG
- SUD provider rate increase
- HB4 provider rate increase
- Hospital directed payment
- Inclusion of IMD payments during retroactive eligibility

Table 1 New Hampshire Department of Health and Human Services Substance Use Disorder Treatment and Recovery Access 1115 Demonstration Summary of SUD IMD Budget Neutrality Estimates					
	DY 01	DY 02	DY 03	DY 04	DY 05
Projected Member Months	4,581	5,603	5,603	5,603	5,603
Estimated Actual Costs (PMPM)	\$1,425	\$1,135	\$1,166	\$1,225	\$1,286
Budget Neutrality Limit - Current (PMPM)	\$661	\$679	\$711	\$744	\$778
Budget Neutrality Limit - Proposed (PMPM)	\$661	\$679	\$2,813	\$2,958	\$3,096
Cumulative Over / (Under) - Current (millions)	\$3.5	\$6.1	\$8.6	\$11.3	\$14.1
Cumulative Over / (Under) - Proposed (millions)	\$3.5	\$6.1	-\$3.2	-\$12.9	-\$23.0

In this table, the estimated actual costs represent the reported costs during DY 01 (SFY 2019) and DY 02 (SFY 2020), and the SFY 2020 PMPM costs trended to subsequent years using a 5% annual trend. As shown, the proposed adjustments result in estimated costs below the budget neutrality limits. Exhibit 1 contains the member months, estimated costs, and budget neutrality limits by year for each MEG.

We performed sensitivity testing to ensure the revised budget neutrality limits would produce a budget neutral cost under the demonstration, consistent with CMS instructions.

METHODOLOGY

As noted above, we include five proposed adjustments to the existing budget neutrality limits. Table 2 below identifies the proposed PMPM change for each MEG. The adjustments for all subsequent years reflect the existing demonstration trend rates approved by CMS applied to these amounts. We show the HB4 provider increase for DY 03 and DY 04 to specifically account for the January 1, 2020 and January 1, 2021 rate increases that is not fully captured in DY 03 and DY 04, respectively.

Table 2 New Hampshire Department of Health and Human Services Substance Use Disorder Treatment and Recovery Access 1115 Demonstration Proposed Adjustments by MEG			
	Medicaid Adult	Expansion Adults	Adolescent
Enrollment Distribution Change (DY 03)	\$382.42	\$368.58	\$103.66
SUD Provider Rate Increase (DY 03)	13.07	13.22	1.19
HB4 Provider Rate Increase (DY 03)	54.90	37.05	27.92
HB4 Provider Rate Increase (DY 04)	77.02	52.13	38.90
Hospital Directed Payment (DY 03)	20.62	26.60	7.56
Inclusion of Retroactive Payments (DY 03)	635.07	1,800.97	1,312.59

Enrollment Distribution Change

The original budget neutrality development included an assumed distribution of demonstration enrollment by MCM rate cell, which allowed for the calculation of the limits to reflect the average capitation rate and fee-for-services (FFS) expenditures (i.e., LTSS services) at a granular level. We developed this original enrollment distribution by reviewing individuals with a SUD diagnosis as those individuals would most likely be included in the demonstration reporting. At this time, we now have the actual enrollment patterns and

find the actual demonstration enrollees represent rate cells with higher capitation rates and higher FFS expenditures. The adjustment shown in Table 2 results from updating the underlying enrollment distribution to align with the July 2018 to June 2020 reporting period.

SUD Provider Rate Increase

Effective January 1, 2019, DHHS increased reimbursement for high intensity residential treatment services for adults (H0018) to \$247.82 per day. The new fee was set to align with the Massachusetts fee schedule for the same service. Additionally, effective July 1, 2019, DHHS increased reimbursement for residential sub-acute detoxification (H0010) to \$340.32 per day to align with the Massachusetts fee schedule for the same service.

HB4 Provider Rate Increase

New Hampshire House Bill 4 (HB4) implements a 3.1% provider rate increase applicable to nearly all Medicaid services. This rate increase went into effect January 1, 2020 and will again increase rates on January 1, 2021 by another 3.1%. The adjustment in Table 2 accounts for the inclusion of these rate increases.

Hospital Directed Payment

Effective July 1, 2020, the MCM capitation rates include a hospital directed payment to promote access to high-quality acute care services provided by critical access and non-critical access hospitals across New Hampshire. The adjustment in Table 2 accounts for the inclusion of this new directed payment.

Inclusion of Retroactive Payments

The original budget neutrality development included three categories of expenses: MCM capitation rates, FFS costs for services not covered by MCM (e.g., LTSS), and the newly covered SUD IMD services. The specific cost estimates for IMD stays were allocated to all MCM enrollees as these services would be covered as part of the MCM program. However, this approach did not take into account individuals with FFS SUD IMD costs during a retroactive eligibility period. As a result, the reporting during DY 01 and DY 02 showed a significant amount of FFS SUD IMD costs not included in the original budget neutrality limits.

As a result, we propose updating the budget neutrality limits to capture these costs. Since these individuals would essentially be in an IMD for every day of their eligibility, the effective cost is the daily IMD rate. Table 3 below shows the development of the proposed adjustment, calculated as the daily rate applicable to the percent of demonstration individuals expected to have retroactive eligibility. We developed the percentage estimate by reviewing the average and range of this percentage by month during DY 01 and DY 02.

Table 3 New Hampshire Department of Health and Human Services Substance Use Disorder Treatment and Recovery Access 1115 Demonstration Development of Retroactivity PMPM Adjustment			
	Daily Rate	% of MMs	PMPM
Medicaid Adult	\$264.63	7.9%	\$635.07
Expansion Adults	\$281.17	21.0%	\$1,800.97
Adolescent	\$282.34	15.3%	\$1,312.59



Mr. Henry Lipman
NH Department of Health and Human Services
August 7, 2020
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BUDGET NEUTRALITY WORKSHEET

Attachment A includes an updated budget neutrality worksheet in the CMS format. This worksheet includes the specific breakout of the items described in this letter.

CAVEATS AND LIMITATIONS ON USE

This letter is designed to assist DHHS with adjusting the budget neutrality limits for the SUD TRA 1115 Demonstration. This information may not be appropriate, and should not be used, for other purposes.

The information contained in this letter has been prepared for DHHS. To the extent that the information contained in this letter is provided to third parties, this letter should be distributed in its entirety. Any user of this information must possess a certain level of expertise in actuarial science and healthcare modeling, so as not to misinterpret the information presented.

Actual results will vary from estimates due to actual experience under the demonstration being higher or lower than expected. DHHS should monitor emerging results and take corrective action when necessary.

In preparing this information, we relied on information from DHHS regarding historical expenditures, historical enrollment, projected costs under the demonstration, and the expected return on investment for certain initiatives. We accepted this information without audit, but reviewed the information for general reasonableness. Our results and conclusions may not be appropriate if this information is not accurate.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this letter.

The terms of Milliman's contract with the New Hampshire Department of Health and Human Services effective July 1, 2017, apply to this letter and its use.



Please call us at 262 784 2250 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Gregory J. Herrle".

Greg J. Herrle, FSA, MAAA
Consulting Actuary

GJH/jf

Attachments



EXHIBIT 1

Exhibit 1 New Hampshire Department of Health and Human Services Substance Use Disorder Treatment and Recovery Access 1115 Demonstration Summary of SUD IMD Budget Neutrality Limit					
	DY 01	DY 02	DY 03	DY 04	DY 05
Member Months					
Medicaid Adults	695	665	665	665	665
Expansion Adults	3,812	4,871	4,871	4,871	4,871
Adolescent	74	67	67	67	67
Total	4,581	5,603	5,603	5,603	5,603
PMPM - Actual					
Medicaid Adults	\$1,341	\$1,214	\$1,249	\$1,312	\$1,377
Expansion Adults	1,451	1,124	1,158	1,215	1,276
Adolescent	867	1,183	995	1,044	1,097
Total	\$1,425	\$1,135	\$1,166	\$1,225	\$1,286
Budget Neutrality Limit - Current					
Medicaid Adults	\$961	\$1,004	\$1,048	\$1,094	\$1,142
Expansion Adults	608	636	666	698	730
Adolescent	573	595	617	639	663
Total	\$661	\$679	\$711	\$744	\$778
Incremental Over / (Under)	\$3,501,063	\$2,553,731	\$2,553,119	\$2,691,955	\$2,845,666
Cumulative Over / (Under)	\$3,501,063	\$6,054,793	\$8,607,913	\$11,299,868	\$14,145,533
Budget Neutrality Limit - Proposed					
Medicaid Adults	\$961	\$1,004	\$2,154	\$2,268	\$2,368
Expansion Adults	608	636	2,913	3,063	3,207
Adolescent	573	595	2,070	2,156	2,236
Total	\$661	\$679	\$2,813	\$2,958	\$3,096
Incremental Over / (Under)	\$3,501,063	\$2,553,731	-\$9,222,481	-\$9,709,350	-\$10,139,177
Cumulative Over / (Under)	\$3,501,063	\$6,054,793	-\$3,167,688	-\$12,877,038	-\$23,016,215



**ATTACHMENT A
(Provided in Excel)**